NABISCO, INC.

Annual Report 1978

Table of Contents

Nabisco, Inc., a worldwide consumer products company, is widely known as a manufacturer of quality cookies, crackers, and snack products. Important brand names include **Premium** Crackers, **Ritz** Crackers, **Oreo** Cookies, **Chips Ahoy** Cookies, **Dromedary** Dates and Pimientos, **Nabisco** Shredded Wheat and **Cream of Wheat** Cereals. Confectionery products such as **Chuckles** candies, and pet foods under the **Milk-Bone** label are other food products made by Nabisco. The Company also produces food products in numerous foreign countries keyed to international tastes and local market requirements.

In the nonfood product lines, popular brands of toiletry and pharmaceutical products include **Aqua Velva**, **Rose Milk**, **Geritol** and **Sominex**. Household accessories, such as **Hygiene** shower curtains and **Everlon** knitted curtains and draperies, are also produced.

The Company ranks among the nation's 150 largest industrial companies and markets its consumer products in more than 100 countries. Nabisco employs approximately 39,000 people at some 80 major plants and facilities around the world.

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held at 2 p.m. on Monday, April 23, 1979, in the Terrace Room of the Fairmont Hotel, Nob Hill, San Francisco, California.

Financial Highlights

(In millions except per share data)	**1978**	1977	% Change
Net Sales	**$2,197.3**	$2,073.3	6.0
Income from Continuing Operations	**101.6(3)**	103.9(2)	(2.3)
Net Income	**101.6**	78.0	30.2
Per Share Data(1)			
Income from Continuing Operations	**3.16(3)**	3.24(2)	(2.5)
Net Income	**3.16**	2.43	30.0
Dividends Declared	**1.41**	1.26	11.9
Shareholders' Equity	**16.94**	15.18	11.6
Average Shares Outstanding	**32.16**	32.10	.2
Working Capital	**338.4**	286.6	18.1
Current Ratio	**2.01:1**	2.05:1	
Capital Expenditures	**66.9**	57.5	16.3
Total Assets	**1,265.9**	1,124.9	12.5
Return on Shareholders' Equity	**19.7%**	16.7%	

(1) Per share amounts are restated for the two-for-one stock split in May, 1978.

(2) Includes a nonrecurring gain of $11.5 million or $.36 per share from the termination of an overseas subsidiary. Excluding this gain per share earnings were $2.88.

(3) Includes a nonrecurring charge of $2.0 million or $.06 per share from the disposition of the **Rival** Brand canned dog food business.

To Nabisco Shareholders:

People, Products and Progress

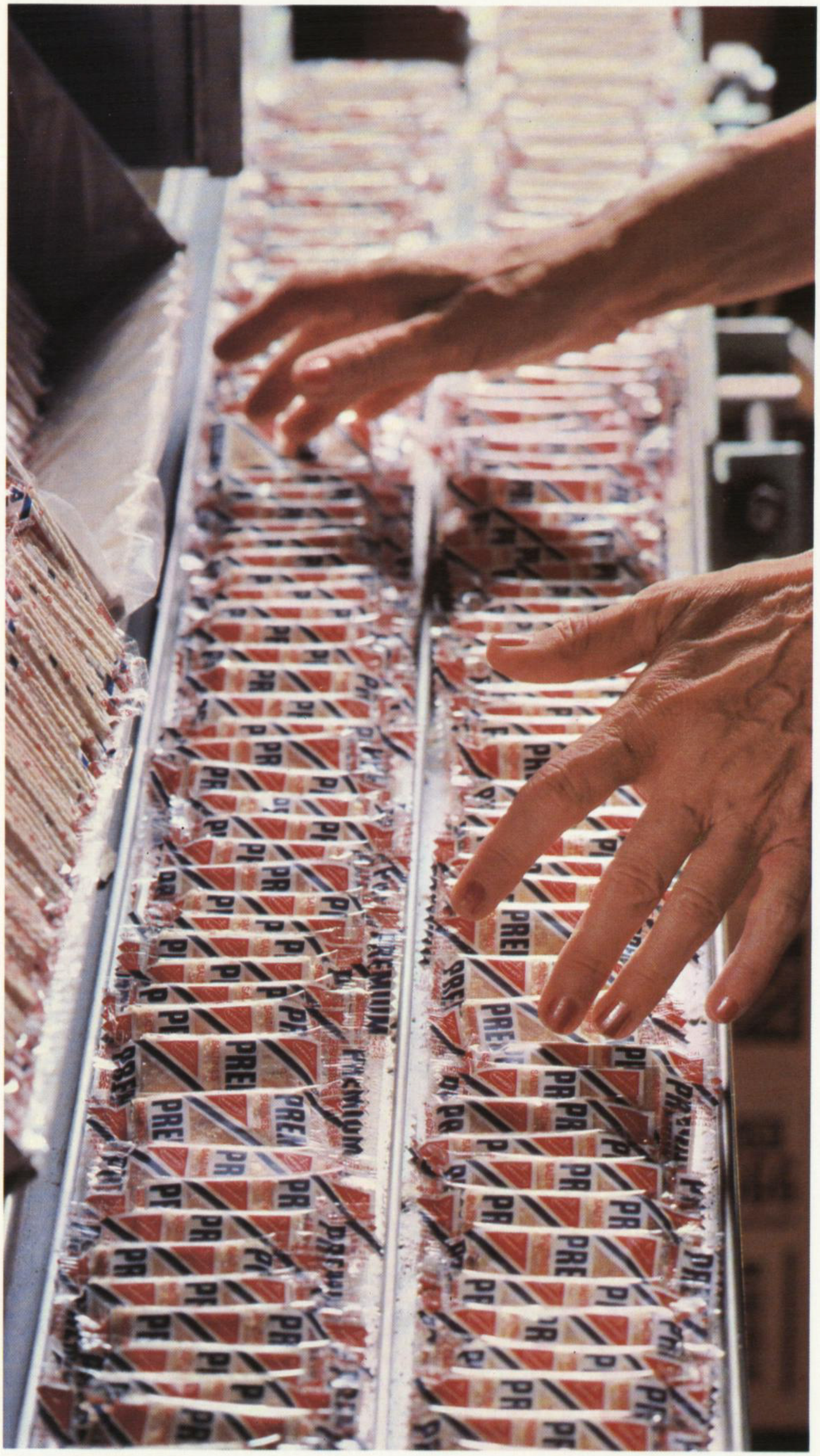
Biscuit Division Nabisco's Red Triangle trademark is a sign of consistent high quality and freshness in cookies, crackers and snacks for millions of consumers. Their trust in Nabisco to provide only the best has made the Biscuit Division the largest producer of cookies and crackers in the United States. **Oreo** Cookies and **Fig Newton** Cakes, **Premium** Saltines, **Triscuit** Wafers and **Wheat Thins** Snack Crackers are staples in almost every home, as are many other Nabisco products. In 1978, Nabisco achieved national distribution of a snack line in flexible foil packaging which includes **Mister Salty** Pretzels, **Chipsters** Potato Snacks and **Diggers** Corn Snacks. Snack food is a rapidly growing market, and Nabisco is moving quickly to add to its line of quality products.

Production More than one billion pounds of America's favorite cookies, crackers and snacks are produced annually by the Biscuit Division.

Nabisco controls production and distribution from the purchasing of the raw ingredients to the placement of the goods on the supermarket shelf. Ultramodern plant facilities include the technologically efficient Richmond Bakery and the giant Chicago Bakeries complex. A multitude of machines and systems, from the very simple to computers used for mixing, baking and packaging, are used in these facilities. Emphasis is placed upon incorporating the most effective technology into all of the bakeries. The packaging process is an integral part of the overall production operation. The flow of these cartons to the high speed, modern packaging machines (left) matches the flow of baked products through the fast-traveling band ovens.

Nabisco produces almost 95% of the folding cartons used by the Biscuit and Special Products Divisions. Its designers strive to provide an attractive package which is convenient for customer selection and storage, protects the product during distribution and maintains its freshness after purchase by the consumer.

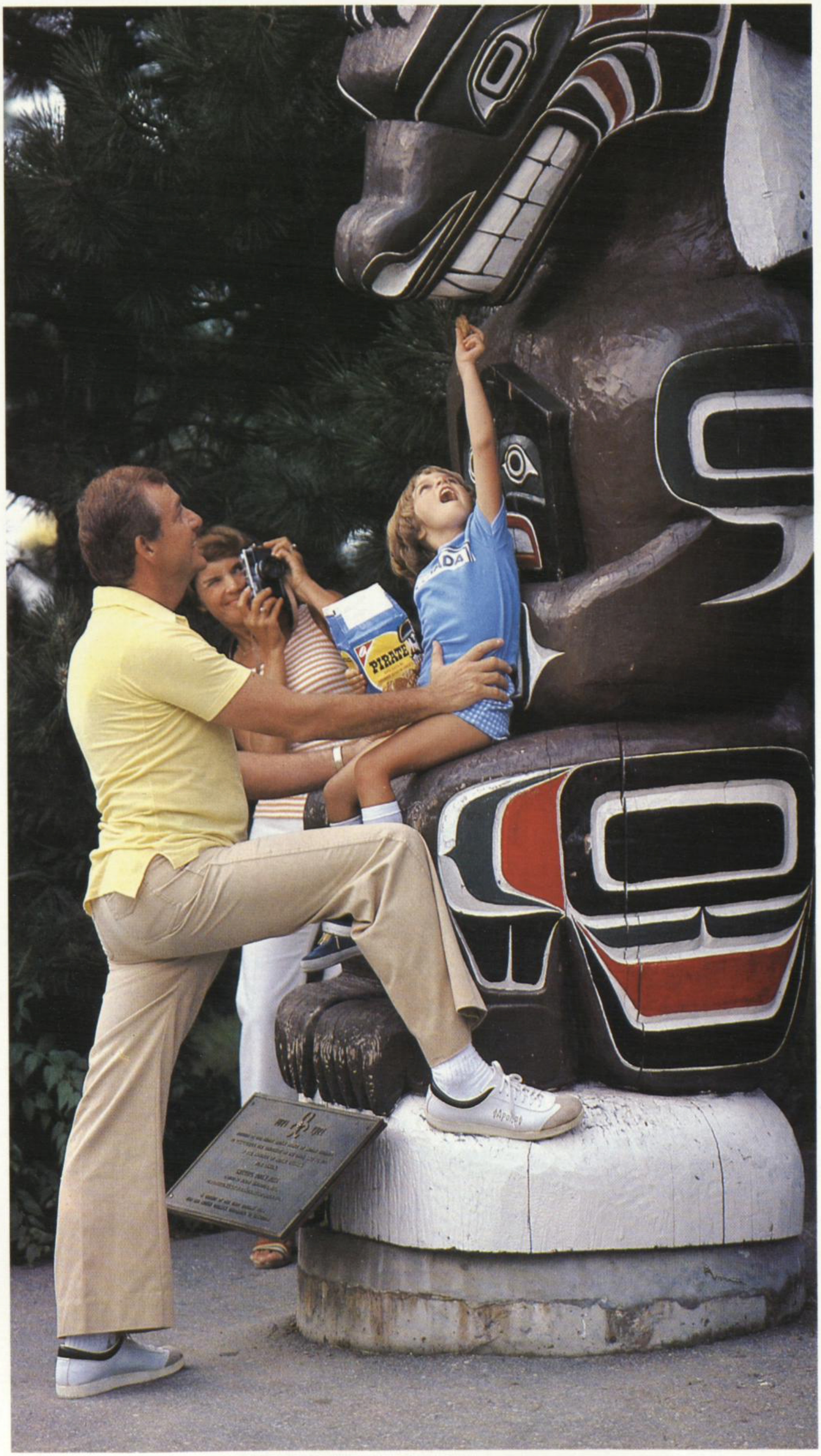
Special Products Division Nutrition and health professionals consider breakfast a very important meal. Nabisco produces a variety of ready-to-eat and hot breakfast cereals, all of which provide significant amounts of certain essential nutrients. **Nabisco** Shredded Wheat, **Team** Flakes and **Cream of Wheat** Cereals are familiar and very popular brands among consumers. The division also produces **Milk-Bone** Brand dog biscuits. Almost half of all households in the United States own at least one dog, and the market for dog treats is expected to expand.



Food Services Division Nabisco is now one of the leading suppliers of individually wrapped cookies and crackers to the food service and vending machine markets. It operates through distributors in all 50 states, and its products range from **Premium** Saltines (seen at left being packaged at the Chicago Bakery) to the vending packages of **Nabs** Cheese Peanut Butter Crackers. The largest part of the division's business is the rapidly expanding food service market. This comprises nearly one-half million restaurants, cafeterias, coffee shops, institutions, factories, offices, military installations, hotels and motels, airlines and railroads. **Nabs** packets and bag-style, packaged cookies, crackers and snack products are also sold in both coin-operated vending machines or over the counter at drug stores and concession stands. Fast-food operators are providing a new and potentially large market for Nabisco's crackers. Many fast-food chains are adding soup and salad bars to their outlets, and more are expected to follow. Nabisco's quality crackers are naturals to use with this type menu.

Europe Sales and earnings results in Nabisco's European operations have been stimulated by major new product successes and excellent growth of some of the older, established products. Biscuits Belin of France, a leader in the French snack market, achieved outstanding success with **Feuillete**, a pastry-like, cheese-laced snack cracker. **Hovis**, a new, wheat germ-enriched cracker, was in such demand that sales surpassed those of the highly successful **Ritz** Crackers in England. Among established products, sales of **Shreddies**, a ready-to-eat cereal, are growing more rapidly than any other cereal in the United Kingdom. **Pepito**, a French cookie, is now being sold in five countries. Expanded production capacity in Italy made possible continued sales growth of **Premium** Saltines, now the second most important Nabisco product sold in that country.

Japan Yamazaki-Nabisco, the company's joint venture in Japan, has quickly become the fastest growing company in its industry producing and marketing cookies, crackers and snacks for the Japanese market. Its **Chipstar** fabricated potato chips immediately became a leader in the snack food business. A series of new, highly unique cookie and cracker products set a world standard for quality. One of them, **Picola**, a rolled sugar wafer, will be test marketed in the United States in 1979. Such international favorites as **Ritz** Crackers and **Chips Ahoy** chocolate chip cookies also have been extremely well received in Japan and are now "Japanese favorites."



Canada "Mr. Christie, you make good cookies," is the award-winning slogan that captures the image of Christie, Brown & Co., Ltd., Canada's leading cookie and cracker manufacturer and a Nabisco subsidiary. **Pirate** Cookies are just one of the many quality products manufactured and sold by Christie. The company's cereal and pet food division produces **Shreddies**, the second largest selling, ready-to-eat cereal in Canada, and **Milk-Bone** Brand dog biscuits, the leader in that market.

Toiletries and Pharmaceuticals
Nabisco, through its J. B. Williams subsidiary, manufactures and distributes toiletries and proprietary pharmaceuticals in the United States and many countries throughout the world. Branded products such as **Aqua Velva**, **'Lectric Shave**, **Geritol** and the **Rose Milk** skin care line appear on the shelves of independent and chain drug stores, supermarkets and discount, variety and department stores. A strong and dynamic marketing program has been instrumental in putting these major brand products among the top ranking brands of their categories in these highly competitive markets.

Household Accessories Everlon Fabrics is an important supplier of knitted curtains and draperies to major chains and discount stores. It is one of the more important merchandisers of these household decorating items. As a result, it has grown at a rapid pace above that of the rest of the industry. Helping its competitive position is its recent emphasis on expanding production capacity and installing more modern technology so its product line can be extended. One result is the new, 190-inch, multi-bar raschel knitting machine (shown at left) at its modern Cape May, New Jersey facility. One of the few vertically integrated producers, Everlon offers its customers a unique capacity to create a product for a specific end use with consumer specialized styling, strict quality and cost control, and the flexibility to respond quickly to sales trends.

The household accessories operation is also a leading producer of shower curtains under the **Hygiene** Brand as well as private label brands for the major chains and discount stores.

Review of 1978 Operations
U.S. Food

(Dollars in millions)	**1978**	1977	% Change
Sales	**$1,412.1**	$1,310.1	7.8
Operating Income	**193.7**	192.9	.4

Record sales and operating income were achieved by the U.S. food operations in 1978. This performance demonstrated substantial recovery from the opening months of the year when Nabisco's U.S. food operations, along with the entire food industry, suffered disruptions due to the severe winter weather of 1977-78 and the lengthy coal strike.

Biscuit Division

The Biscuit Division closed 1978 on a strong note, and sales reached record levels. Operating income fell slightly below year-earlier levels but improved substantially in the final months of the year.

Cookies: At the beginning of 1978, the market for cookies was below year-earlier levels. This was due in part to increased prices resulting from the very high cost of chocolate and other ingredients and also to fewer dollars being spent by the industry to stimulate the market. Nabisco's strategy of frequent promotions to generate special prices in the stores and increased advertising was most effective. An important new advertising campaign—"Nabisco—America's Cookie Jar"—introduced in the spring to aid in market stimulation, was successful and will be used again in 1979.

Peanut Brittle and Apple Crisp Cookies were introduced in 1978 and will be followed by Nutty Nougat and Peanut Butter Fudge Cookies in 1979.

Crackers: The cracker market continued to grow. In 1978, Nabisco had its most successful snack cracker introductions ever and continued to place market emphasis on established products that meet today's consumer desires.

The new crackers, **Chippers** and **Dixies** Drumstick Snack Crackers, were overwhelmingly approved by consumers. The Biscuit Division has a long history of introducing innovative snack crackers each year. The first 1979 introduction is Vegetable Thins Snack Crackers.

Another new product slated for national distribution in 1979 is **Wheatsworth** Stone Ground Wheat Crackers, a cracker that promises to be one of the future staples of the Nabisco line. An all-purpose, all-natural cracker, it has done exceptionally well in test marketing.

Triscuit Wafers and **Wheat Thins** Snack Cracker sales have benefited particularly from the renewed marketing effort for established products. The result has been higher sales in recent years for both of these products. **Triscuit** Wafers are made from 100% whole wheat and have special appeal to the growing number of consumers who value natural ingredients. **Wheat Thins** Snack Crackers, another wholesome product with universal appeal, have benefited substantially from a national advertising campaign.

Snack Foods: Nabisco's new snack food line in flexible foil packaging achieved national distribution in 1978. To date, this line, which includes **Mister Salty** Pretzels,

Diggers Corn Snacks, **Korkers** Corn Twists, **Chipsters** Potato Snacks and **Flings** Curls, has exceeded original sales projections. Continued strong growth is expected, partly because of the trend of the American public to snack more and to eat fewer formal meals. The division plans to distribute Nacho Tortilla Chips nationally in 1979, and additional products are now in test market.

The addition of a snack food line is especially important as it opens up a new area in supermarkets—the potato and corn chip section—for Nabisco. During 1979, the Company will support this line with a national advertising campaign, consumer coupons and a strong trade promotion program.

Special Products Division

The Special Products Division markets a diverse product line, including ready-to-eat and hot cereals, dog snacks, dates and pimientos, through grocery chains and wholesale food distributors. Last year was its seventh consecutive year of record sales and operating profits.

Ready-to-Eat Cereals: **Nabisco** Shredded Wheat, **Spoon Size** Shredded Wheat, **Nabisco** 100% Bran and **Team** Flakes are familiar breakfast foods to many consumers. Sales of these cereals increased in 1978, resulting in an improved market share for Nabisco.

Spoon Size Shredded Wheat, which has the advantage of whole wheat with no added sugar, continues to be increasingly popular. **Team** Flakes, a unique product containing wheat, corn and oats—plus rice for long-lasting crunch—received strong marketing support in 1978, resulting in another year of excellent sales.

Hot Cereals: Nabisco's **Cream of Wheat** Cereal varieties, which enjoy the number two position in their market, improved market share last year despite a ten-week work stoppage at the Minneapolis cereal plant. A fortified hot cereal, **Morning Power**, made with oats and wheat, is now in test market. Results have been very promising.

Pet Foods: The **Milk-Bone** Brand dog snack line continued its market leadership position in 1978. The dog snacks market has been growing for several years, and further expansion in the demand for nutritious dog snacks and treats in a variety of shapes and forms is expected.

The division did, however, discontinue its **Rival** Brand canned dog food business in the third quarter of 1978. The decline in the canned dog food market made continuation of this business unprofitable.

Blue Mountain pet food products—sold primarily in the Pacific Northwest by our subsidiary, the Hervin Company—reported higher sales in 1978 although operating profits were slightly below year-earlier levels. This operation took a more aggressive marketing position during the year by increasing both the frequency and the depth of its promotions. A new line of Natural Style pet products made without preservatives, artificial colors or flavorings was successfully introduced during the year. Additional Natural Style products will be introduced in 1979 in both the dog and cat food categories.

Dromedary Brand Products: Significant sales increases and improved operating profits were reported in 1978 for **Dromedary** Dates and Pimientos.

Confectionery Division

Sales improved and earnings showed excellent gains during 1978 despite declining candy consumption. The Confectionery Division also improved its leadership position in the following markets: jellied candies, with the **Chuckles** line; caramels, where the **Sugar Daddy** family is a perennial favorite; and **Junior** Mints, a miniature chocolate covered mint line.

Freezer Queen Foods, Inc.

During 1978, Nabisco reorganized its Freezer Queen frozen food business. The new management group at Freezer Queen is now developing programs to introduce new products under both the **Freezer Queen** and the new **Family Kitchen** brand names.

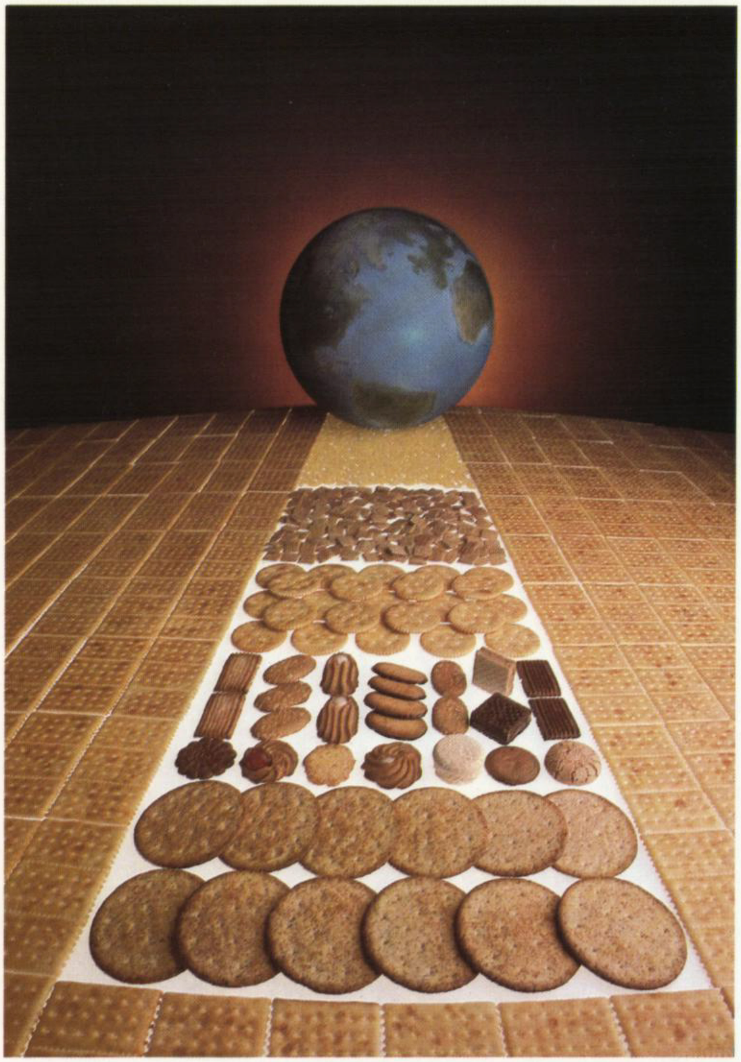
Food Services Division

Nabisco's Food Services Division reported record sales and operating profits again in 1978. It continues to be an important supplier of crackers, cookies and other food products to food service distributors, vending machine operators and chain restaurant operators.

A key to this growth has been the training of distributors' sales forces by Nabisco and specialized merchandising for customers. These sales people can, and do, place the Nabisco line in a strong position with their customers. In its merchandising, the division meets both differing geographic needs and the very specialized requirements of the major food distributors and their accounts.

In the vending area, the division's strategy to steadily expand the line of goods offered beyond the traditional Nabisco crackers and cookies has been very successful. Two of the year's successful product additions were potato sticks and soft cakes, and other products are being investigated.

International Food



(Dollars in millions)	**1978**	1977	% Change
Sales	**$561.2**	$547.4	2.5
Operating Income	**36.7**	27.1	35.4

International food operations reached record levels in sales during 1978 and also showed outstanding earnings gains as compared with the prior year. Reported sales would have been even higher, but Nabisco reduced its equity ownership in Mexico and Venezuela to a 49% minority position in response to laws of those countries. A result of minority ownership is that sales are no longer included in Nabisco's financial statements.

The record-breaking sales and earnings of 1978 reflect changes implemented by international operations during recent years. Using careful strategic planning, these operations have established new operating and financial goals. Moreover, increased capital expenditures during the past several years have resulted in productivity gains.

Recent results also demonstrate the continuing strong consumer response to some highly successful new products recently introduced: **Feuillete** Snack Crackers (France); **Chipstar** fabricated potato chips (Japan); **Hovis** Wheat Biscuits (United Kingdom); and several products in Australia. In 1978, Nabisco consolidated these successes, with the brands becoming more firmly established.

Europe

Three of the major companies in Europe—Biscuits Belin, S.A. (France); Saiwa, S.p.A. (Italy); and Nabisco Limited (United Kingdom)—all had record sales and earnings in 1978 and showed significant increases over year-earlier levels.

Biscuits Belin is the largest and most profitable Nabisco company in Europe. The market for cookies, crackers and snacks in France is growing over 6% annually, and Belin's share is more than keeping pace with this growth. **Pepito** Cookies continue to be Belin's largest selling item.

Saiwa is Nabisco's company in Italy. Sales and earnings were at record levels, and its market share increased. All of its products—from plain-type, sweet cookies to more sophisticated snacks and sugar wafer products—are showing good growth trends. A building expansion and the addition of an oven were completed in 1978 to meet sales demand. Saiwa is also considering expanding production capacity for **Chipsters** in 1979.

In England, Nabisco Limited again turned in an excellent year. **Hovis** Wheat Biscuits, a whole wheat cracker, showed strong sales gains. The company installed new automated equipment in mid-1978 to meet sales demand. This product is expected to continue its excellent performance in 1979.

The cereal business in England also had an outstanding year. Growing consumer demand for moderately priced, nutritional cereals made **Shreddies** one of the fastest growing, ready-to-eat cereals. Production capacity for **Shreddies** will soon be expanded. The company has repositioned a cookie line now called **Thrifties**,

using a smaller package which offers convenience to the consumer. With about ten varieties now marketed under the **Thrifties** label, it is a growing product line.

In Spain, Galletas Artiach with a new management team showed good improvement in 1978, particularly in the important sugar wafer market. It also commands an important position in the sizeable high-quality cookie market with the **Chiquilin** Cookie showing good growth.

In Denmark, the new bakery extension became fully operational in 1978; however, due to weakness in the economy and some problems with exports, operating results were not as good as anticipated.

B. Sprengel & Co., Nabisco's confectionery operation in West Germany, showed an operating loss in 1978 because of the severely competitive market conditions and high chocolate costs.

Canada

With the discontinuance of the government-mandated price controls at year-end in Canada, Christie, Brown & Co., Ltd., Nabisco's cookie, cracker, cereal and pet food operation in that country is now positioned to move forward. Operating profits in 1978 only slightly exceeded year-earlier levels reflecting the general economic conditions and the weakness of the Canadian dollar. However, Christie Brown closed the year with improving sales and earnings trends and a gain in market share.

Manufacturing improvements are well under way in Canada. A new, energy-efficient baking oven was installed in the Montreal bakery, resulting in an improved product and greater productivity. A second installation is underway in Toronto.

Bran Crunchies Cereal achieved national distribution early in 1978, and sales have shown good growth. A number of other new products have been introduced in Canada, including the unique **Triticale** Crackers, which are made from a hybrid wheat and rye grain developed in Canada.

Christie's food services business—in its first full year of operation—showed promising results in 1978. The Reid Milling operation which mills flour for Christie Brown as well as outside customers also had a good year.

Australia/New Zealand

Nabisco, Pty. Ltd., continued its successful growth in 1978 and increased its market share. A home-style line of sweet biscuits, **Bakehouse**, was introduced, providing a competitive, high quality, product line. Another success was a natural, ready-to-eat cereal.

In New Zealand, Griffin & Sons, Ltd. showed sales and operating profit improvement despite a weak economy. It increased market share of both cookies and crackers as well as in confectionery products.

Latin America

Nabisco continues to enjoy excellent market shares in the countries in which it does business in Latin America. Nicaraguan operations, however, were hampered by the country's difficult political situation. The facilities of Industrias Nabisco Cristal were closed sporadically in 1978.

In Puerto Rico, the Toa Baja Sales Branch operation had a good year. Arbona Hermanos sells a soda cracker-type product primarily to wholesalers. Consumers are shifting away from the traditional Puerto Rican soda cracker to other, more expensive varieties. To tap this change in consumer taste, Arbona Hermanos has introduced new products.

Unconsolidated Foreign Affiliates
(Japan—Venezuela—Mexico)

(Dollars in millions)	**1978**	1977	% Change
Sales	**$195.3**	$149.1	31.0
Net Income	**7.8**	6.7	16.0
Nabisco's Share of Net Income	**3.9**	3.3	16.4

Yamazaki-Nabisco, the Japanese joint venture, continues to record outstanding successes. The **Chipstar** fabricated potato chip business is growing rapidly. Late in 1978, **Chipstar** with a seaweed flavor, one of the most popular flavors in Japan, was introduced.

Although the sweet goods market in Japan has been under pressure, **Picola**, a high quality rolled sugar wafer, is doing well.

Nabisco-La Favorita, our Venezuelan operation, is building a second bakery in Barquisimeto to meet growing demands. Although a sustained labor slowdown curtailed operations during early 1978, the Venezuelan operation is now working close to full capacity.

In Mexico, Nabisco Famosa had an outstanding year. Its manufacturing facilities are operating near capacity levels due to the continued expansion of the Mexican cookie and cracker market. **Ritz** Crackers, **Premium** Saltines and **Maria**, a plain, sweet biscuit again turned in a solid performance in 1978. The pasta line is also a strong seller. Mexico is one of the most rapidly growing among Nabisco's international operations.

Toiletries and Pharmaceuticals

(Dollars in millions)	**1978**	1977	% Change
Sales	**$162.9**	$164.0	(.7)
Operating Income	**10.8**	10.7	.9

The 1978 operating profit of the toiletries and pharmaceuticals operation was about the same as the prior year, while sales volume fell slightly below 1977 levels.

Pharmaceutical products showed increases in both sales and earnings in 1978 as compared with 1977. In the latter part of 1978, **Geritol** Mega-Vitamins, a high potency vitamin and iron formula containing the B complex vitamins and vitamin C—essential vitamins that the body consumes every day—were introduced. The steady and reliable performance of branded products such as **Geritol** makes the introduction of **Geritol** Mega-Vitamins a logical extension of this line. In addition, in the latter half of the year, the company began distribution of **Acu-Test**, an accurate, easy-to-use, in-home pregnancy test. Sales and earnings of **P.V.M.**, a high-protein powder with vitamins and minerals formulated as a meal replacement, in conjunction with the **P.V.M.** weight reduction plan, exceeded 1977 levels. Chocolate and vanilla flavored **P.V.M.** products were introduced during the 1978 third quarter.

Sales and earnings of toiletry products in 1978 fell below 1977 levels as a result of the decline in sales and earnings of the **Rose Milk** line of skin care products because of increased competition. However, the **Rose Milk** products will continue to be aggressively merchandised. During the latter part of 1978, **Rose Milk** Skin Care Cream was introduced in both Italy and Japan on a joint venture basis.

Other important items, such as the **Aqua Velva** line of men's toiletries and **'Lectric Shave** preshave lotion, continued to do well during 1978. Sales and profits of the **Ace** Comb operation improved last year, with the market for hair brushes offering good opportunity for growth.

International sales and operating income of J. B. Williams both registered improved results in 1978. The French operation enjoys a leadership position in the men's toiletries market in that country and our market position in Spain is also quite large. We believe that international sales of the pharmaceutical and toiletries operation will continue to show progress in 1979.

Household Accessories

(Dollars in millions)	**1978**	1977	% Change
Sales	**$61.1**	$51.8	18.0
Operating Income	**9.6**	7.9	21.5

The household accessories operation includes the leading producer of shower curtains, an important manufacturer of knitted curtains and a South American housewares manufacturer. Sales and earnings in 1978 were at record levels.

Hygiene Industries is principally a manufacturer of shower curtains under its own **Hygiene** Brand label and under the well-known retail names of its private-label customers. Record sales and earnings were achieved in 1978.

The company successfully capitalized on a consumer style trend toward fabric shower curtains. Increased sales of these curtains are expected in 1979. Hygiene also introduced an important new line of water-repellent polyester print curtains, trademarked **Drylon**, unique among fabric shower curtains because they can be used without a vinyl liner. The **Drylon** line also bridges the gap between lower priced vinyl shower curtains and higher priced fabric lines. It has been well received by Hygiene customers.

Everlon Fabrics supplies major U.S. retailers with private label knitted curtains. Well positioned with its major accounts, sales and earnings increased in 1978 as compared with year earlier levels. This trend should continue in the current year.

The modern Cape May, New Jersey mill increased Everlon's ability to produce and style curtains according to rigid specifications and provide goods unique to its various customers' needs. It also has allowed the company to expand its product line to include such items as Priscilla tie back curtains and pinch pleat products.

The Landers & Cia operation is engaged in the manufacture of housewares for distribution in Colombia, South America, and throughout Latin America under the **Corona** and **Universal** trademarks. Although 1978 sales increased modestly over 1977, operating profit was slightly below that of the prior year.

Management Changes

Nabisco's corporate plans include a forward-looking organizational structure carefully designed to recognize and develop the leadership potential of employees. This plan took on an added dimension in 1978 with the further strengthening of corporate management.

Richard S. Creedon was elected a Senior Vice President with responsibility for the functions of communications, development, and long-range planning.

Robert J. Powelson was elected a Group Vice President. Reporting to him are the Biscuit Division, Canadian food operations and the U. S. confectionery operation.

Edward P. Redding, Group Vice President, was elected President of the Special Products Division and is responsible for the Food Services Division as well as Freezer Queen Foods, Inc.

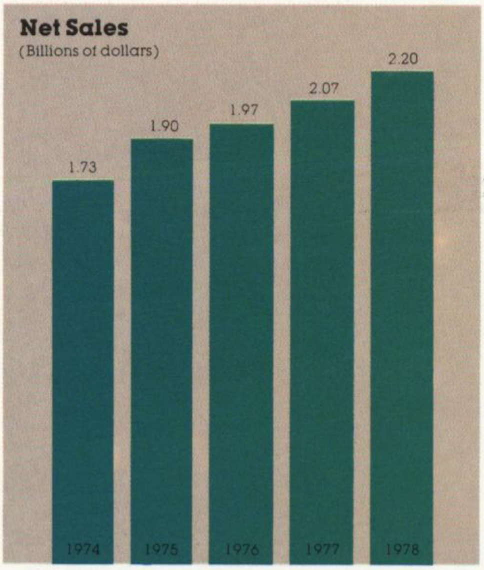
James O. Welch, Jr., was elected a Group Vice President and President of the International Division.

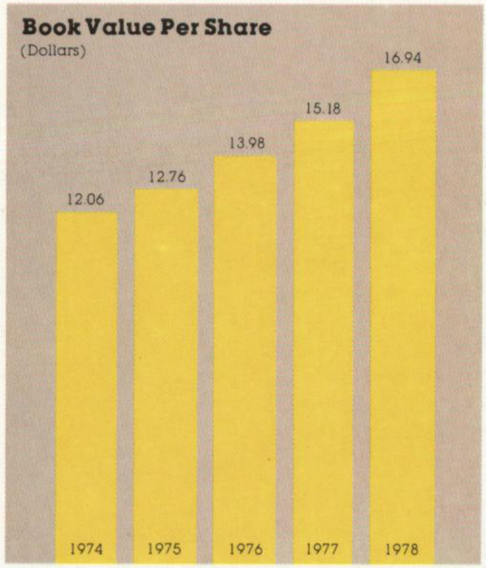
W. Lee Abbott, Corporate Communications; Edward J. Matthews, Jr., Corporate Development; and G. F. Randolph Plass, Jr., Corporate Planning, were all elected Vice Presidents of the Company.

Harrison M. Bains, Jr. was elected Treasurer.

Retirements

A report of the year's activities would not be complete without the recognition and appreciation of the dedicated services of David F. Bull, Group Vice President; Paul L. Snyder, Vice President and Chairman of Freezer Queen Foods, Inc., both of whom left to pursue private business interests; and Henry L. Henderson, Vice President—Technology, who retired.





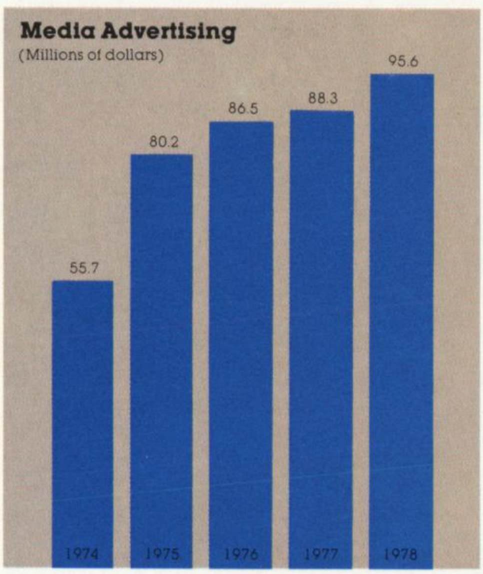
Consolidated **net sales** reached a record high in 1978 of $2.20 billion, reflecting a compounded growth rate over the past four years of approximately 6%. Adjusting sales during this period for terminated and deconsolidated operations, the real sales growth showed an 8% compounded growth.

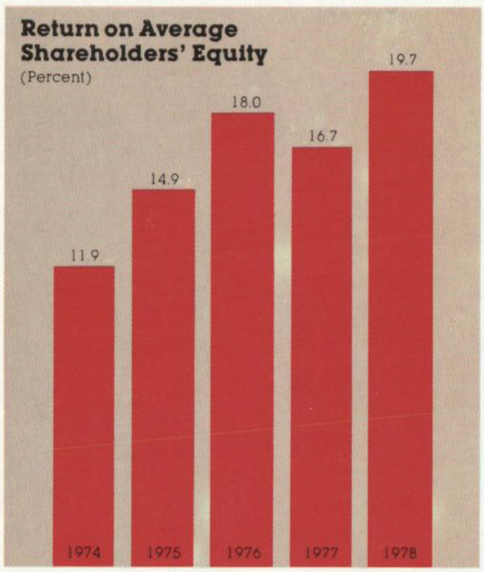
Media advertising reached $95.6 million in 1978 and the advertising-to-sales ratio increased to a level of 4.4% in 1978.

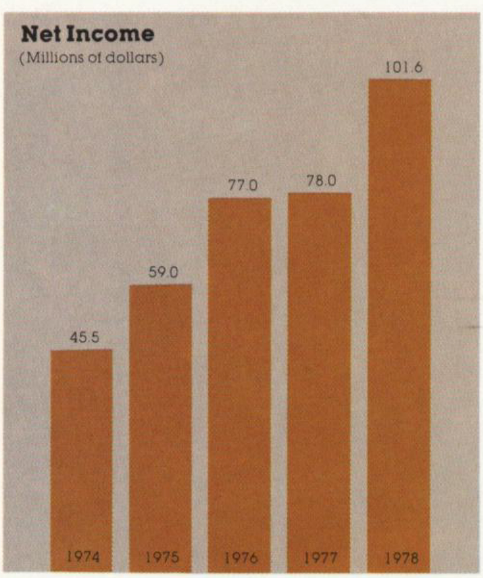
On a compounded basis, **net income** increased approximately 22% during the four-year period ending in 1978. This represents an improvement in return on sales from 2.6% in 1974 to 4.6% in 1978.

Book value per share increased $4.88 over the four-year period ending in 1978. This represents a compounded growth rate of approximately 9%.

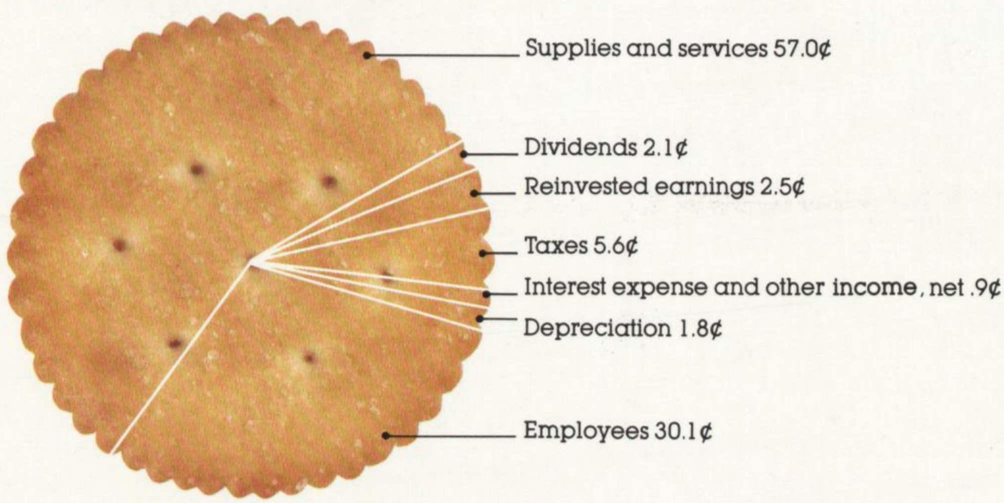
Return on average shareholders' equity has shown a positive trend from 11.9% in 1974 to 19.7% at the 1978 year-end, which approximates the Company's goal.







Distribution of 1978 Sales Dollar



Nabisco turned in record results for 1978. We are pleased to report to you that Nabisco achieved increased sales and net income for the fifth consecutive year. Despite the inflationary pressures in the U.S. economy and around the world, we remain optimistic about our many businesses and our strong position in the marketplace. We fully expect that Nabisco will achieve another record year in 1979.

As Nabisco approaches the 1980's, your Company has in place:

- A well-qualified management team
- New products as well as old favorites that are doing well
- Strong and effective marketing programs and strategies
- Consumer satisfaction as to the assured value of its products
- A strong financial position
- Technology and research to support continued growth

The 1978 Year in Review

Sales for the year 1978 were $2.20 billion, up 6% from the $2.07 billion reported for 1977. After adjusting sales for the effect of discontinued and deconsolidated operations in both years, sales in 1978 increased 10%, a gain more representative of the true sales growth of Nabisco against 1977 levels.

Net income in 1978 surpassed the $100 million mark for the first time and totaled $101.6 million, or $3.16 per share. These results were achieved despite a one-time charge of $.06 per share for disposition of the **Rival** Brand canned dog food business. Earnings for 1978 should be measured against comparable income in 1977 of $92.4 million, or $2.88 per share. This represents earnings from continuing operations which exclude a nonrecurring gain of $.36 per share related to the 1977 termination of an overseas operation. The improvement in income year-to-year was 12% after excluding the above nonrecurring items from both years.

Operating Results

Nabisco is in four major businesses. 1978 was an outstanding year for international food operations and household accessories. While U.S. food operations were under pressure early in the year, good recovery was shown as the year progressed, and gains were registered year-to-year. The toiletry and pharmaceutical operations were essentially level with those of a year earlier.

Nabisco's largest business—U.S. food operations—once again reported record sales and operating income.

In 1978, the Company had its most successful year of snack cracker introductions. Nabisco also achieved national distribution of its new snack food line in flexible foil packaging, a business which should provide substantial growth in the years ahead. Our ready-to-eat cereal business registered both sales and earnings gains as well as an improved market share. The **Milk-Bone** Brand dog snack line showed record sales and earnings. The U. S. confectionery operation also improved its sales and turned in a solid earnings improvement during 1978. Reflecting the growing trend toward away-from-home eating, the food services operation again reported record sales and earnings.

Pharmaceutical products showed sales and earnings increases as compared with 1977, while sales and earnings of toiletry products fell below the prior year due to lower sales of skin care products.

Household accessories reported strong sales and earnings gains in 1978. The shower curtain business benefited from consumer style trends toward the more profitable fabric lines, and with the modern Cape May, New Jersey facilities, the Everlon curtain operation has been able to bring a greater variety of products to the marketplace.

Nabisco's international food operations showed sales gains and an excellent improvement in operating income in 1978. Europe and Australia-New Zealand reported particularly impressive results.

Nabisco's joint venture in Japan, Yamazaki-Nabisco, an unconsolidated affiliate of the Company, once again recorded excellent sales and profits.

Dividends Increased Twice, and Shares Split Two for One During 1978

At the 1978 Annual Meeting, shareholders approved a two-for-one split in Nabisco's common stock. In January, 1978, and again in October, the Board of Directors increased the dividend paid to shareholders. The indicated annual dividend paid to shareholders of common stock increased from $1.26 per share when the 1978 year opened to the current rate of $1.50 per share, a 19% increase. Nabisco's current dividend policy is to pay out between 40% and 50% of its earnings in dividends. Achieving Nabisco's long-term goal of an average 10% to 12% earnings growth a year would allow the Company considerable latitude for further dividend increases in the future.

Dividend Reinvestment Plan

In 1979, Nabisco will improve its Dividend Reinvestment Plan for shareholders. Nabisco shareholders will be receiving information advising them that in the future the Company will pay the brokerage commission and agent service fees on the purchase of additional shares of Nabisco stock through the reinvestment of dividends. We hope our shareholders will take advantage of this increased opportunity for regular savings and investment and share more fully in Nabisco's future growth.

Robert M. Schaeberle (right)
Chairman of the Board and Chief Executive Officer

Val B. Diehl (left)
President and Chief Operating Officer

Board and Management Changes

Two new members were recently elected to Nabisco's Board of Directors. In July, Dean R. McKay, Senior Vice President, International Business Machines, Corp. joined the Board. In December, William S. Woodside, President and Chief Operating Officer of the American Can Company, was elected to the Board. The Company is pleased to welcome both gentlemen and will most certainly draw on their expertise in building an even more dynamic Nabisco.

Effective with the Annual Meeting in April, 1979, Perry M. Shoemaker retires from the Board of Directors. We wish to thank him for his many valuable contributions to the success of Nabisco during his twenty-six years of service as a Director. For the past ten years, Mr. Shoemaker has served as Chairman of the Audit Committee of the Board.

Nabisco further strengthened its management team during 1978. We believe that we have placed highly qualified individuals in management positions allowing Nabisco to accelerate its growth. These changes are detailed in the Review of Operations in this Annual Report.

Flexibility—A Byword at Nabisco

Our business of food processing and marketing becomes ever more complex as consumer demographics undergo basic changes and governmental regulation increases. Today's business world calls for innovative management and rapid decision making—or, in a word—flexibility.

There are two aspects of Nabisco's flexibility that deserve particular mention. The first is attitude. Nabisco is change oriented. We welcome that which is new and different. We are aware that only by changing can we grow and prosper—facing new problems as they present themselves and taking full advantage of new opportunities as they arise.

The second aspect of our flexibility is structure. Nabisco is a decentralized company. Our management style is to ensure that our decision-making managers have both the authority and responsibility to react to changing conditions within the framework of corporate policy guidelines.

About 30% of our sales come from international operations. Our executives in other countries have the same kind of autonomy as their U.S. counterparts because they need to meet the swiftly changing demands of the international marketplace.

At Nabisco, one inflexible rule we do have is that we consistently give the consumer what he or she wants. In so doing, we earn the right to make a reasonable profit and provide our shareholders with a good return on their investment.

The Future

The business of supplying consumers with goods and services is exciting, and there are rewards waiting for those companies that have the will and the talent to face up to the facts of the competitive marketplace. The management of your Company has taken strong action during the past few years to improve Nabisco's profitability base and free resources for reinvestment into more profitable areas. The effect of these actions has been to strengthen your Company in the United States and in international markets.

At Nabisco, each and every employee has the responsibility to contribute to the final sales and earnings goals of the Company. This dedication is reflected in the record 1978 results and we wish to thank our employees around the world for their achievements.

In addition to our current strong operating stance, Nabisco is well positioned from a financial standpoint to move aggressively into the 1980's. Sales and earnings are on the increase, and the Company's balance sheet is strong and improving. Your Company is in the strongest operating and financial position in years, and we are confident about Nabisco's future prospects.

R M Schaeberle

Robert M. Schaeberle
Chairman and Chief Executive Officer

Val B. Diehl

Val B. Diehl
President and Chief Operating Officer

January 29, 1979

Financial Review

Summary of Operations(1) (In millions except per share data)	**1978**	1977	1976	1975	1974
Net sales	**$2,197.3**	$2,073.3	$1,973.9	$1,904.9	$1,728.8
Cost of sales	**1,429.0**	1,354.0	1,294.0	1,291.5	1,227.1
Selling, general and administrative expenses	**540.0**	499.1	480.2	435.5	380.2
Operating income	**228.3**	220.2	199.7	177.9	121.5
Miscellaneous expense (income), net	**(5.3)**	28.9	(5.6)	3.6	(9.4)
Interest expense	**24.3**	25.0	28.4	31.4	33.2
Income from continuing operations before income taxes	**209.3**	166.3	176.9	142.9	97.7
Income taxes	**107.7**	62.4	94.7	79.2	49.5
Income from continuing operations	**101.6**	103.9	82.2	63.7	48.2
Discontinued line of business					
Loss from operations(2)	—	(2.2)	(5.2)	(4.7)	(2.7)
Loss on disposal(3)	—	(23.7)	—	—	—
Net income	**$ 101.6**	$ 78.0	$ 77.0	$ 59.0	$ 45.5
Per share					
Income from continuing operations	**$ 3.16**	$ 3.24	$ 2.57	$ 2.00	$ 1.51
Loss from discontinued line of business	—	(.81)(4)	(.16)	(.15)	(.08)
Net income	**$ 3.16**	$ 2.43	$ 2.41	$ 1.85	$ 1.43
Dividends declared per share	**$ 1.41**	$ 1.26	$ 1.20	$ 1.15	$ 1.15
Average shares outstanding	**32.16**	32.10	31.97	31.92	31.92

(1) Restated for capitalized leases and two-for-one stock split for the years prior to 1978. See statement of accounting policies on page 26 and notes to financial statements on pages 31 through 34.
(2) Net of income tax credits of $2.8, $4.4, $3.6, $2.3 for the years 1977 to 1974, respectively.
(3) Net of income tax credit of $22.6.
(4) Includes loss on disposal of $.74 per share.

Percentage Analysis— Continuing Operations	**1978**	1977	1976	1975	1974
Net sales	**100.0%**	100.0%	100.0%	100.0%	100.0%
Cost of sales	**65.0**	65.3	65.6	67.8	71.0
Selling, general and administrative expenses	**24.6**	24.1	24.3	22.9	22.0
Operating income	**10.4**	10.6	10.1	9.3	7.0
Income from continuing operations before income taxes	**9.5**	8.0	9.0	7.5	5.7
Income from continuing operations	**4.6**	5.0	4.2	3.3	2.8
Effective income tax rate	**51.4**	37.5	53.5	55.4	50.7

Financial Review
(continued)

1978 Operations Compared With 1977 Operations:
Sales—Consolidated net sales in 1978 of $2,197.3 million, a record high, increased 6% from the $2,073.3 million attained in 1977. 1978 sales exclude the West German biscuit and cracker subsidiary terminated in mid-1977 and the results of the Venezuelan and Mexican food operations which have been deconsolidated. The sales gain was also achieved despite the termination during 1978 of the **Rival** Brand canned dog food business and the discontinuance of the Company's Canadian bread operation. On a comparable basis, sales in 1978 would have been 10% higher than in1977.

Sales of the U.S. food operations showed strong gains in 1978 with an increase of 8% to $1,412.1 million from $1,310.1 million in 1977. The gain was due mainly to price increases necessitated by sharply rising costs. However, significant volume increases were achieved in the snack food line, reflecting the success of the national distribution of snack foods in flexible packaging. **Milk-Bone** Brand dog biscuits also experienced major volume gains, and ready-to-eat cereals turned in a strong performance. The Company's food services operation also registered significant volume increases. Declines in the sweet goods area of the Company's predominant food operation—cookies and crackers—were primarily due to continuing consumer price sensitivity.

Sales of Nabisco's international food operations were $561.2 million, up 3% over 1977. European operations showed continuing improvement over prior years with excellent volume gains attained in France, England and Italy despite significant price increases. Australasian operations also showed improved results over 1977 with Australia up sharply due to both price and volume gains.

After eliminating bread operations which were terminated in mid-year, Canadian sales were up 5%. Both price and volume increases contributed to the improvement with strong volume gains in the cookie and cracker area, the company's largest operation. Sales in the cereal area also experienced good volume gains.

In Nabisco's nonfood segments, the household accessories line showed a sharp improvement with sales of $61.1 million, up from $51.8 million in 1977, an increase of 18%. This improvement reflects the successful placement of new products in the knitted curtain line and the introduction of cloth shower curtains. Sales of the toiletries and pharmaceuticals segment approximated year earlier levels. Domestic pharmaceuticals achieved significant increases as a result of successful new product placements. This increase was offset by a sales shortfall in the domestic toiletry operation and was attributable primarily to lower skin care cream sales.

Operating income—During 1978, operating profit margins of U.S. food operations were aided by higher prices instituted to counter the impact of cost increases. Operating income reached $193.7 million compared to $192.9 million reported in 1977. Increased costs of raw and package materials such as cocoa, shortening and cellophane more than offset any cost reductions in other ingredients. Also, the price increases were required to cover the escalating costs of employee wages and benefits.

International food operations showed improved operating results with margins ahead of last year. Operating income increased sharply by $9.6 million in 1978 to $36.7 million, or 35%. Selling price increases, coupled with cost reductions in raw materials such as wheat and shortening, more than offset cost increases for cocoa as well as employee benefits and wages. Operations in England, France and Italy contributed significantly to the operating improvement, while the German confectionery operation recorded an operating loss.

The household accessories line continued to show significant improvement in operating profit and margin due to volume increases and successful new product introductions. The 1978 results reached $9.6 million compared to $7.9 million in 1977, an increase of 22%. Toiletries and pharmaceuticals results were about equal to 1977.

Miscellaneous expense (income), net for 1978 amounted to income of $5.3 million compared to an expense of $28.9 million in 1977. The change was primarily due to a nonrecurring charge in 1977 of $32.8 million related to the termination of an overseas subsidiary. Interest income on short-term investments increased $5.9 million to $8.9 million for the 1978 year. Nabisco's joint venture in Japan, Yamazaki—Nabisco, again turned in record earnings, continuing their outstanding performance of recent years. Also included in this caption are foreign exchange adjustments which are comprised of translation, transactions and forward foreign exchange contract amounts. For 1978, such adjustments amounted to a $5.3 million loss before income taxes compared to a $2.1 million loss in 1977. Forward foreign exchange contracts are used to hedge foreign inventory exposures as well as translation exposures as defined under SFAS No. 8. The difference between translating such exposed inventories at historical versus current rates resulted in a decrease to cost of sales of $4.7 million in 1978 compared to an immaterial amount in 1977.

Income taxes in 1978 increased by $45.3 million to $107.7 million. The tax provision for 1978 equaled 51.4% of pretax income compared with 37.5% in 1977. The increase in both the tax provision and the effective tax rate was due primarily to the absence in 1978 of the nonrecurring tax credit in 1977 derived from the writeoff of an overseas subsidiary, along with increased income before income taxes in 1978.

Net income for 1978 reached a record high of $101.6 million, or $3.16 per share, after a one-time charge of $2.0 million, or $.06 per share, for the disposition of the **Rival** Brand canned dog food business. This compares to income from continuing operations for 1977 of $103.9 million, or $3.24 per share, which included a nonrecurring gain of $.36 per share relating to the termination of an overseas subsidiary. After excluding nonrecurring adjustments in both years, income from continuing operations increased 12% to $3.22 per share in 1978 from $2.88 per share in 1977. Per share amounts have been adjusted for the two-for-one stock split in May, 1978. Net income for 1977 amounted to $78.0 million which included charges for the discontinued line of business.

Business Segments

(Dollars in millions)

	Sales		Operating Income		Identifiable Assets		Capital Expenditures		Depreciation Expense	
1978	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
United States Food	$1,412.1	64	$193.7	77	$ 589.5	51	$40.3	61	$24.8	63
International Food	561.2	26	36.7	15	436.2	37	21.7	33	11.4	29
Total Food	1,973.3	90	230.4	92	1,025.7	88	62.0	94	36.2	92
Toiletries and Pharmaceuticals	162.9	7	10.8	4	87.7	8	2.0	3	1.9	5
Household Accessories	61.1	3	9.6	4	44.4	4	1.6	3	1.1	3
Total Segments	2,197.3	100	250.8	100	1,157.8	100	65.6	100	39.2	100
Unallocated Corporate and Other	—		(22.5)		108.1		1.3		1.3	
Total	$2,197.3		$228.3		$1,265.9		$66.9		$40.5	
1977										
United States Food	$1,310.1	63	$192.9	81	$ 540.1	51	$37.4	67	$22.3	60
International Food	547.4	26	27.1	11	384.4	37	15.1	27	12.4	33
Total Food	1,857.5	89	220.0	92	924.5	88	52.5	94	34.7	93
Toiletries and Pharmaceuticals	164.0	8	10.7	5	82.2	8	2.6	5	1.7	4
Household Accessories	51.8	3	7.9	3	40.4	4	.8	1	1.0	3
Total Segments	2,073.3	100	238.6	100	1,047.1	100	55.9	100	37.4	100
Unallocated Corporate and Other	—		(18.4)		77.8		1.6		1.2	
Total	$2,073.3		$220.2		$1,124.9		$57.5		$38.6	
1976										
United States Food	$1,240.6	63	$181.1	84	$ 521.0	51	$38.2	70	$21.4	58
International Food	539.6	27	19.6	9	382.3	38	12.1	22	13.0	35
Total Food	1,780.2	90	200.7	93	903.3	89	50.3	92	34.4	93
Toiletries and Pharmaceuticals	149.1	8	10.8	5	75.0	7	1.9	3	1.6	4
Household Accessories	44.6	2	5.1	2	38.8	4	2.9	5	1.1	3
Total Segments	1,973.9	100	216.6	100	1,017.1	100	55.1	100	37.1	100
Unallocated Corporate and Other	—		(16.9)		105.2		1.3		1.0	
Total	$1,973.9		$199.7		$1,122.3		$56.4		$38.1	

Unallocated Corporate and Other consists primarily of the following:

Operating Income—General and administrative expenses.

Identifiable Assets—Fixed assets and capital leases at World Headquarters, corporate cash, short-term investments and assets of discontinued line of business.

Capital Expenditures—For World Headquarters and discontinued line of business for 1977 and 1976.

Depreciation—On depreciable assets of World Headquarters administrative facilities.

The Company's products are classified in three worldwide business segments: food (U.S. and international) comprised principally of cookies, crackers, snack foods, cereals and pet foods; toiletries and pharmaceuticals; and household accessories consisting of plastic and cloth shower curtains and knitted curtains.

Financial Review

(continued)

1977 Operations Compared With 1976 Operations:
Sales—1977 sales were $2,073.3 million compared with $1,973.9 million in 1976, an increase of 5%. This gain was achieved despite the unfavorable impact of foreign exchange rate fluctuations, termination of a West German operation and deconsolidation of a Venezuelan affiliate.

U.S. food operations sales increased to $1,310.1 million in 1977, a gain of 5.6% over the prior year. Price increases were the primary factor contributing to the gain as the predominant food operation—cookies and crackers—was hindered by a soft retail market, resulting in comparable volume levels with 1976.

The international food segment increased sales 1.5% to $547.4 million in 1977, with both price and volume increases contributing to the improvement. European operations, principally the cookie and cracker lines, experienced significant improvement as did Australian operations.

Nabisco's nonfood segments reported higher sales levels in 1977. Toiletries and pharmaceuticals sales increased to $164.0 million in 1977 compared to $149.1 million in 1976, with expanded promotional programs stimulating demand for both established and new products. Household accessories sales increased 16.0% to $51.8 million, reflecting successful new product introductions.

Operating income—In 1977, operating profit margins of U.S. food operations were maintained with the aid of higher prices instituted to offset higher operating costs. Significant increases in prime ingredient costs, such as chocolate and shortening, more than offset moderate cost reductions in other major ingredients such as flour and sugar. International food operations, while experiencing similar increases and rising employee wages and benefits, recovered such costs through price and volume increases along with productivity improvements. These factors produced an increased operating profit and a slightly better margin.

Nabisco's household accessories segment showed an outstanding improvement over 1976 attributable to U.S. home furnishings sales gains, production efficiencies in a new U.S. plant and improved foreign operations. Toiletries and pharmaceuticals operating profits remained at the same level as 1976.

Miscellaneous expense (income), net amounted to expense of $28.9 million compared with income of $5.6 million in 1976. The change was due primarily to the nonrecurring expense in 1977 for the termination of the overseas subsidiary. The Company's joint venture in Japan continued the strong trend established in recent years. A gain from the sale of Nabisco's interest in a South American cosmetics company is reflected in this caption for 1976. Losses from foreign exchange adjustments amounted to approximately $2.1 million before income taxes in 1977 compared with $1.7 million in 1976.

Interest expense was reduced in 1977 by $3.4 million to $25.0 million. The decline was due to a lower level of short-term borrowings. Borrowing requirements were reduced due to improved cash flow from operations and close attention to asset management.

Geographic Areas

(Dollars in millions)

	Sales		Operating Income		Identifiable Assets	
1978	Amount	%	Amount	%	Amount	%
United States	$1,584.6	72	$208.6	83	$ 685.2	59
Europe	364.0	17	22.7	9	289.0	25
Canada	133.3	6	10.6	4	67.9	6
Australasia	90.9	4	6.7	3	61.2	5
Latin America	24.5	1	2.2	1	54.5	5
Total Segments	2,197.3	100	250.8	100	1,157.8	100
Unallocated Corporate and Other	—		(22.5)		108.1	
Total	$2,197.3		$228.3		$1,265.9	
1977						
United States	$1,481.2	71	$206.9	87	$ 634.8	61
Europe	308.9	15	10.3	4	248.2	24
Canada	143.5	7	10.6	5	66.0	6
Australasia	79.9	4	5.7	2	61.5	6
Latin America	59.8	3	5.1	2	36.6	3
Total Segments	2,073.3	100	238.6	100	1,047.1	100
Unallocated Corporate and Other	—		(18.4)		77.8	
Total	$2,073.3		$220.2		$1,124.9	
1976						
United States	$1,393.5	71	$192.9	89	$ 608.2	60
Europe	294.1	15	2.5	1	255.4	25
Canada	143.5	7	12.9	6	57.1	5
Australasia	75.8	4	3.1	1	57.7	6
Latin America	67.0	3	5.2	3	38.7	4
Total Segments	1,973.9	100	216.6	100	1,017.1	100
Unallocated Corporate and Other	—		(16.9)		105.2	
Total	$1,973.9		$199.7		$1,122.3	

Other Financial Data*

(In millions of dollars except per share data)	**1978**	1977	1976	1975	1974
Working capital	**$ 338.4**	$ 286.6	$ 234.0	$ 187.8	$ 174.0
Plant and equipment	**489.8**	477.0	489.2	478.8	430.4
Capital expenditures	**66.9**	57.5	56.4	86.0	70.9
Depreciation expense	**40.5**	38.6	38.1	35.3	32.7
Total assets	**1,265.9**	1,124.9	1,122.3	1,079.7	1,085.3
Short-term debt	**13.3**	14.5	50.0	66.3	173.8
Long-term debt	**268.9**	274.2	282.8	286.8	260.7
Shareholders' equity	**544.4**	486.7	446.9	407.1	384.8
Shareholders' equity per share	**16.94**	15.18	13.98	12.76	12.06
Long-term debt to capitalization	**33.1%**	36.0%	38.8%	41.3%	40.4%
Foreign exchange gains (losses), net of income taxes	**(6.7)**	(2.8)	(.6)	(1.2)	2.1
Return on shareholders' equity	**19.7%**	16.7%	18.0%	14.9%	11.9%

*Restated for capitalized leases and two-for-one stock split for the years prior to 1978.

Income taxes of $62.4 million decreased $32.3 million from 1976 due principally to the tax credit derived from the writeoff of the West German cookie and cracker subsidiary. This credit resulted from losses previously recorded in West Germany without tax benefit which became deductible for U.S. tax purposes, and decreased the effective tax rate to 37.5% in 1977 as compared to 53.5% in 1976.

Income from continuing operations, which excludes results of Aurora Products Corp., amounted to $103.9 million, or $3.24 per share, for 1977 compared to $82.2 million, or $2.57 per share in 1976. However, adjusting 1977 per share earnings from continuing operations to exclude the one-time gain of $.36 per share from the discontinuance of the West German cookie and cracker operation and 1976 earnings to exclude a nonrecurring gain of $.06 per share from the sale of a South American cosmetics company, the year-to-year gain was $.37 per share, or 15.2%.

Discontinued line of business—In the latter part of 1977, the Company announced plans to sell substantially all of the assets of its toy and game subsidiary, Aurora Products Corp. For the year, the total loss of $25.9 million included the estimated loss from the disposal of the net assets and the net loss from operations. This compared to a net loss from operations of $5.2 million in 1976.

Net income for 1977 increased to $78.0 million from $77.0 million in 1976. Net income per share totaled $2.43 in 1977 compared with $2.41 in 1976.

Quarterly Financial Data

(In millions except per share data)

1978	1st	2nd	3rd	4th
Net sales	$515.2	$515.9	$546.4	$619.8
Gross profit	178.6	176.8	194.9	218.0
Net income	20.9	22.4	23.7	34.6
Per share				
Net income	.65	.70	.73	1.08
Dividends paid	.315	.345	.345	.345
Stock Prices				
High	25¼	26½	28⅛	28½
Low	23	23½	23⅛	23⅜
1977				
Net sales	$499.4	$497.1	$508.4	$568.4
Gross profit	174.7	168.1	176.7	199.8
Income from continuing operations	19.8	31.1	22.6	30.4
Loss from discontinued line of business	(1.4)	(23.6)	(.6)	(.3)
Net income	18.4	7.5	22.0	30.1
Per share				
Income from continuing operations	.62	.96	.71	.95
Loss from discontinued line of business	(.04)	(.73)	(.02)	(.02)
Net income	.58	.23	.69	.93
Dividends paid	.30	.315	.315	.315
Stock Prices				
High	25⅝	26⅞	27¼	25¾
Low	22⅝	23⅞	24⅜	23

Statement of Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. For companies in which it has a substantial interest but owns less than a majority, Nabisco records its share of net results in "Miscellaneous expense (income), net."

The financial statements of subsidiaries operating outside of the United States and Canada are included on a fiscal-year basis ending November 30 to facilitate prompt reporting of year-end consolidated results.

Inventories are valued at the lower of cost, principally average, or market.

Property, plant and equipment is recorded at cost. Facilities leased under capital leases are recorded in property, plant and equipment with the corresponding obligations carried in short- and long-term debt. The amount capitalized is the present value of the minimum lease payments but not exceeding the fair value of the leased property. For financial reporting purposes, depreciation on buildings, machinery and equipment is generally provided on a straight-line basis over the estimated useful lives of the assets or over the lease term for capital leases.

Depreciation is based on the following useful lives: buildings, 20 to 40 years; machinery and equipment, 3 to 20 years.

When assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in income.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the facilities involved are treated as additions to plant and equipment.

Excess of investments in consolidated subsidiaries over net assets—For businesses acquired prior to 1971 and accounted for as purchases, the excess of the acquisition cost over the fair value of the net assets is not amortized because, in the opinion of management, there has been no diminution of value. The excess relating to acquisitions made in 1971 and thereafter is being reduced by annual charges against income over a 40-year period.

Income taxes—Deferred income taxes, principally U.S. Federal taxes, result primarily from the use of accelerated depreciation methods for tax purposes which provide more depreciation expense in the early years than in the later years of the lives of the assets being depreciated.

Investment tax credit—Nabisco generally recognizes the U.S. investment tax credit earned on qualified capital additions by reducing income tax expense over the estimated useful lives of the related assets.

Net income per share is based on the weighted-average number of shares outstanding during the periods presented after giving effect to the potential dilutive effect of the exercise of stock options.

Report of Auditors

To the Shareholders of Nabisco, Inc.:

We have examined the consolidated balance sheets of Nabisco, Inc. and its subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of income and retained earnings, capital stock and additional paid-in capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Nabisco, Inc. and its subsidiaries at December 31, 1978 and 1977, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect for the change, with which we concur, in the method of accounting for leases as required by Statement of Financial Accounting Standards No. 13 and explained in the Leases note to the financial statements.

Coopers & Lybrand

1251 Avenue of the Americas
New York, N.Y. 10020
January 29, 1979

Consolidated Statement of Income and Retained Earnings

NABISCO, INC.

	Year Ended December 31	
	1978	1977
Net sales	**$2,197,277,000**	$2,073,278,000
Cost of sales	**1,428,956,000**	1,354,048,000
Gross profit	**768,321,000**	719,230,000
Selling, general and administrative expenses	**540,024,000**	499,035,000
Operating income	**228,297,000**	220,195,000
Miscellaneous expense (income), net	**(5,260,000)**	28,863,000
Interest expense	**24,271,000**	25,055,000
Income from continuing operations before income taxes	**209,286,000**	166,277,000
Income taxes		
Current		
United States	**74,195,000**	38,455,000
Foreign	**12,165,000**	9,585,000
State and local	**11,422,000**	4,940,000
Deferred	**9,951,000**	9,402,000
Total income taxes	**107,733,000**	62,382,000
Income from continuing operations	**101,553,000**	103,895,000
Discontinued line of business		
Loss from operations, net of income tax credit of $2,775,000	—	(2,179,000)
Loss on disposal, net of income tax credit of $22,600,000	—	(23,700,000)
Net income	**101,553,000**	78,016,000
Retained earnings, beginning of year	**403,800,000**	366,119,000
Dividends declared, $1.41 per share in 1978 and $1.26 per share in 1977	**(45,231,000)**	(40,335,000)
Retained earnings, end of year	**$ 460,122,000**	$ 403,800,000
Per share		
Income from continuing operations	**$3.16**	$3.24
Discontinued line of business		
Loss from operations	—	(.07)
Loss on disposal	—	(.74)
Net income	**$3.16**	$2.43

(Financial statements should be read in conjunction with the statement of accounting policies on page 26 and notes to financial statements on pages 31 through 34.)

Consolidated Balance Sheet

ASSETS	December 31 1978	1977
Current assets		
Cash	**$ 8,115,000**	$ 18,715,000
Short-term investments, at cost which approximates market	**111,328,000**	39,423,000
Accounts receivable		
Trade	**203,734,000**	182,341,000
Other	**16,276,000**	12,539,000
Inventories		
Finished products	**151,207,000**	135,485,000
Raw materials and supplies	**178,953,000**	149,304,000
Net assets of discontinued line of business	**2,303,000**	21,783,000
Total current assets	**671,916,000**	559,590,000
Property, plant and equipment		
Land	**14,652,000**	14,894,000
Buildings	**274,053,000**	273,791,000
Machinery and equipment	**595,364,000**	571,848,000
	884,069,000	860,533,000
Less accumulated depreciation	**394,267,000**	383,516,000
Property, plant and equipment, net	**489,802,000**	477,017,000
Other assets	**48,344,000**	30,886,000
Excess of investments in consolidated subsidiaries over net assets	**55,860,000**	57,358,000
Total assets	**$1,265,922,000**	$1,124,851,000

(Financial statements should be read in conjunction with the statement of accounting policies on page 26 and notes to financial statements on pages 31 through 34.)

LIABILITIES	December 31 1978	1977
Current liabilities		
Short-term debt		
Bank loans and other	**$ 7,601,000**	$ 8,189,000
Current portion of long-term debt	**5,734,000**	6,295,000
Accounts payable		
Trade	**103,698,000**	74,442,000
Other	**14,325,000**	15,764,000
Accrued liabilities	**132,443,000**	130,453,000
Dividend payable	**12,037,000**	10,096,000
Income taxes	**57,672,000**	27,704,000
Total current liabilities	**333,510,000**	272,943,000
Long-term debt	**268,933,000**	274,158,000
Other liabilities	**35,174,000**	30,813,000
Deferred income taxes	**65,961,000**	41,372,000
Unamortized investment tax credit	**14,507,000**	12,752,000
Minority interests in consolidated subsidiaries	**3,431,000**	6,150,000
SHAREHOLDERS' EQUITY		
Capital stock, common-par value $2.50, shares authorized 48,000,000	**80,603,000**	80,455,000
Additional paid-in capital	**6,148,000**	5,105,000
Retained earnings	**460,122,000**	403,800,000
Treasury stock, at cost	**(2,467,000)**	(2,697,000)
Total shareholders' equity	**544,406,000**	486,663,000
Total liabilities and shareholders' equity	**$1,265,922,000**	$1,124,851,000

Consolidated Statement of Changes In Financial Position

NABISCO, INC.

	Year Ended December 31 1978	1977
Financial resources provided		
Income from continuing operations	**$101,553,000**	$103,895,000
Charges to income not affecting working capital		
Depreciation	**40,464,000**	38,623,000
Deferred income taxes and investment tax credit	**9,951,000**	9,402,000
Writeoff of excess of investment in terminated operation over net assets	**—**	9,618,000
Working capital provided from continuing operations	**151,968,000**	161,538,000
Discontinued line of business		
Net loss	**—**	(25,879,000)
Depreciation	**—**	1,282,000
Deferred income taxes	**15,967,000**	(16,746,000)
Writeoff of excess of investment over net assets	**—**	7,715,000
Property, plant and equipment held for disposal	**—**	10,325,000
Other, net	**—**	3,585,000
Working capital provided (applied) from discontinued line of business	**15,967,000**	(19,718,000)
Reclassification of noncurrent net assets of terminated operation	**—**	4,486,000
Disposals of property, plant and equipment	**7,970,000**	5,931,000
Increase (decrease) in other long-term debt	**188,000**	(3,366,000)
Increase in other liabilities	**5,103,000**	4,725,000
Other, net	**5,068,000**	2,413,000
Total financial resources provided	**186,264,000**	156,009,000
Financial resources applied		
Capital expenditures	**66,867,000**	57,495,000
Dividends declared	**45,231,000**	40,335,000
Current installment and repurchase of debentures	**4,885,000**	2,090,000
Increase in other assets	**17,522,000**	3,455,000
Total financial resources applied	**134,505,000**	103,375,000
Increase in working capital	**$ 51,759,000**	$ 52,634,000
Increase (decrease) in the components of working capital		
Cash and short-term investments	**$ 61,305,000**	$ 34,804,000
Accounts receivable	**25,130,000**	(2,635,000)
Inventories	**45,371,000**	(19,459,000)
Net assets of discontinued line of business	**(19,480,000)**	21,783,000
Short-term debt	**1,149,000**	35,549,000
Other current liabilities	**(61,716,000)**	(17,408,000)
Increase in working capital	**$ 51,759,000**	$ 52,634,000

(Financial statements should be read in conjunction with the statement of accounting policies on page 26 and notes to financial statements on pages 31 through 34.)

Consolidated Statement of Capital Stock and Additional Paid-in Capital

(Dollars in thousands)

	Common Stock				Additional Paid-in Capital
	Issued		Treasury Stock		
	Shares	Amount	Shares	Amount	
Balance, January 1, 1977	32,069,078	$80,173	(105,510)	($2,569)	$3,180
Issued in connection with:					
Exercise of stock options	112,172	280	—	—	1,919
Conversion of debentures	792	2	—	—	21
Treasury stock acquired	—	—	(5,260)	(128)	(15)
Balance, December 31, 1977	32,182,042	80,455	(110,770)	(2,697)	5,105
Issued in connection with:					
Exercise of stock options	57,904	145	—	—	1,027
Incentive compensation plans	—	—	15,498	378	—
Conversion of debentures	1,267	3	—	—	30
Treasury stock acquired	—	—	(6,140)	(148)	(14)
Balance, December 31, 1978	32,241,213	$80,603	(101,412)	($2,467)	$6,148

(Financial statements should be read in conjunction with the statement of accounting policies on page 26 and notes to financial statements on pages 31 through 34.)

Notes to Financial Statements

Disposals of operations—In mid-1978, the Company terminated its **Rival** Brand canned dog food business, resulting in a nonrecurring charge of $2,000,000 to net income.

The termination of XOX-Nabisco, the West German cookie and cracker subsidiary, in mid-1977 resulted in a nonrecurring charge of $32,800,000, which is included in the caption, "Miscellaneous expense (income), net," for the year ended 1977. A tax credit of $44,300,000 resulted from this termination since losses previously recorded in West Germany without tax benefit became deductible for U.S. tax purposes. The net liability resulting from this termination was liquidated in 1978.

Also in mid-1977, the Company announced its decision to discontinue certain product lines of its toy and game subsidiary, Aurora Products Corp. On November 7, 1977 an agreement in principle was entered into to dispose of the toy and game business which was consummated in early 1978. Under the agreement, the Company received cash and an interest bearing note, payable in annual installments over four years. During 1978 the Company also realized proceeds on accounts receivable and inventories not sold under the agreement. The remaining assets are expected to be disposed of during 1979.

Net losses from Aurora operations and the loss on the disposal of its net assets are included in the caption "Discontinued line of business."

Short-term investments consist principally of Eurodollar time deposits.

Other assets consist of the note receivable from the disposal of Aurora Products Corp., prepaid expenses, deferred charges and investments/advances to unconsolidated affiliates and others.

Short-term debt—The following summarizes information pertaining to short-term borrowings:

	1978	1977
Average amount outstanding during the year (based on month-end amounts)	**$19,000,000**	$29,000,000
Maximum amount outstanding at any month-end	**$38,000,000**	$47,000,000
Weighted-average interest rate during the year (based on month-end borrowings and related interest rates)	**9.39%**	7.37%
Weighted-average interest rate at December 31	**11.59%**	10.01%

Notes to Financial Statements
(continued)

The Company maintains bank lines of credit to provide future domestic and international credit availability and to support the issuance of commercial paper. At December 31, 1978 and 1977, Nabisco's unused lines of credit amounted to $87,600,000 and $82,200,000, respectively.

Accrued liabilities:	December 31 **1978**	1977
Payrolls	**$ 51,979,000**	$ 46,253,000
Trade discounts	**19,970,000**	17,457,000
Net liability for XOX-Nabisco	**—**	14,841,000
Taxes, other than income taxes	**10,143,000**	10,181,000
Interest	**3,832,000**	3,882,000
Other	**46,519,000**	37,839,000
Total	**$132,443,000**	$130,453,000

Long-term debt:	December 31 **1978**	1977
6½% Guaranteed Debentures due October 1, 1982	**$ 5,954,000**	$ 7,432,000
4¾% Subordinated Debentures due April 1, 1987	**27,544,000**	28,113,000
5¼% Guaranteed Convertible Debentures due March 1, 1988	**25,756,000**	28,263,000
7¾% Sinking Fund Debentures due May 1, 2001	**50,000,000**	50,000,000
7¾% Sinking Fund Debentures due November 1, 2003	**75,000,000**	75,000,000
Capitalized lease obligations	**64,329,000**	65,917,000
Other	**26,084,000**	25,728,000
	274,667,000	280,453,000
Less current portion	**5,734,000**	6,295,000
Total	**$268,933,000**	$274,158,000

The 5¼% Guaranteed Convertible Debentures are convertible at $25.25 per share into approximately 1,020,000 shares of common stock. At December 31, 1978, "Other" long-term debt, maturing between 1979 and 2004 at a weighted-average interest rate of 8.16% (7.71% in 1977), consists principally of foreign borrowings.

The aggregate amount of debt maturities and sinking fund requirements for the four years ending December 31, 1980 through December 31, 1983 are $9,477,000, $9,397,000, $11,688,000 and $9,415,000, respectively.

Other liabilities consist primarily of pension accruals established to cover U.S. prior service liabilities and pension obligations of subsidiaries operating in countries where it is customary for companies to administer their own pension plans.

Retirement plans—The Company has a voluntary, noncontributory pension plan approved by the shareholders for employees not covered by union pension plans. Certain subsidiaries have similar plans. In general, the plans provide for retirement benefits based on length of service and the employee's earnings up to age 65. The pension expense includes a provision for current service costs and, where applicable, amortization of unfunded prior service liabilities over primarily a 40-year period.

Annually, the Company pays to independent investment managers amounts computed on an actuarial basis to provide for the successful operation of its pension plan. In addition, union pension plans require contributions as defined in the union agreements. Total pension expense amounted to $39,233,000 in 1978 and $32,134,000 in 1977. The increase was due primarily to improved benefits. At December 31, 1978, the amount necessary to fund all prior service liabilities under Nabisco plans is estimated to be $125 million. At the most recent actuarial valuation dates, estimated vested benefits exceeded the value of trust assets by approximately $69 million.

Incentive compensation—The Nabisco Incentive Compensation Program, as approved by the shareholders, provides for incentive awards to employees selected by the Compensation Committee of the Board of Directors, whose members are not eligible for awards. The amounts of the awards are determined by the Compensation Committee based on the relationship of profit performance to predetermined short- and long-term goals. Under the program, provisions of $4,100,000 and $3,650,000 were made in 1978 and 1977, respectively.

Transactions with respect to options previously granted under the Employee Stock Option Plan (1969) are summarized as follows:

	1978		1977	
	Shares	**Option Price***	Shares	Option Price*
Exercised	**57,904**	**$20.24**	112,172	$19.62
Expired or cancelled	**19,040**	**25.58**	13,192	25.45
Outstanding, end of year	**352,222**	**21.83**	429,166	21.78
Exercisable, end of year	**352,222**	**21.83**	429,166	21.78

*Represents the weighted-average price per share on the dates options were granted.

Income taxes—A reconciliation from the U.S. Federal statutory rate of 48% to the reported tax rate follows:

	1978 Amount	%	1977 Amount	%
Computed at 48% of pretax earnings	**$100,457,000**	**48**	$79,813,000	48
Increases (decreases)				
State and local income taxes, net of federal tax benefit	**5,940,000**	**3**	5,690,000	4
Excess of tax loss over book loss of terminated operation	—		(28,556,000)	(17)
Other	**1,336,000**	**—**	5,435,000	3
As reported	**$107,733,000**	**51**	$62,382,000	38

The deferred income tax provision, principally U.S. Federal taxes, results from:

	1978	1977
Excess of tax over book depreciation	**$9,929,000**	$10,901,000
U.S. investment tax credit	**1,755,000**	1,108,000
Other, net	**(1,733,000)**	(2,607,000)
Total	**$9,951,000**	$ 9,402,000

U.S. income and foreign withholding taxes are being provided currently on foreign subsidiaries' net earnings that are expected to be distributed to the parent company.

Over the years, the Company has indefinitely reinvested approximately $70,000,000 of foreign subsidiaries' retained earnings to meet their operating and long-term needs and, accordingly, no U.S. income taxes have been provided on these amounts. If such earnings were distributed in the future, it is expected that the amount of additional U.S. income taxes required would not be significant because of the availability of foreign tax credits thereon.

Foreign exchange adjustments which are comprised of translation, transactions and forward foreign exchange contract amounts resulted in losses, net of taxes, of $6,670,000 in 1978 and $2,759,000 in 1977. Forward foreign exchange contracts are used to hedge foreign inventory exposures as well as translation exposures as defined under SFAS No. 8. The difference between translating such exposed inventories at historical versus current rates resulted in a decrease to cost of sales of $4,700,000 in 1978 compared to an immaterial amount in 1977.

Capital stock—On May 1, 1978, the shareholders voted a two-for-one stock split of the Company's common stock effective May 2, 1978. Accordingly, the accompanying consolidated financial statements have been adjusted to give effect to this stock split.

Supplementary income statement information:

	1978	1977
Maintenance and repairs	**$ 72,791,000**	$ 68,584,000
Depreciation	**$ 40,464,000**	$ 38,623,000
Taxes, other than income taxes		
Payroll	**$ 42,418,000**	$ 39,306,000
Other, principally property	**16,268,000**	17,297,000
Total	**$ 58,686,000**	$ 56,603,000
Research and development	**$ 11,182,000**	$ 9,309,000
Media advertising	**$ 95,568,000**	$ 88,267,000
Beginning inventory for cost of sales computation	**$284,789,000**	$279,523,000

Leases—In 1978, Nabisco adopted the provisions of Statement of Financial Accounting Standards No. 13, Accounting for Leases. Accordingly, assets related to capital leases are recorded in the accompanying balance sheets as property, plant and equipment with the related obligations included in short-and long-term debt. While net income was not restated as the effect was not material, the expense components applicable to capital leases were restated.

Amounts included in property, plant and equipment under capital leases as of December 31 are as follows:

	1978	1977
Buildings	**$67,989,000**	$68,514,000
Machinery and equipment	**8,890,000**	10,319,000
	76,879,000	78,833,000
Accumulated depreciation	**18,407,000**	17,313,000
Total	**$58,472,000**	$61,520,000

Notes to Financial Statements
(continued)

The major portion of capital leases relate to administrative and warehousing facilities.

Future minimum lease payments under noncancelable leases with terms in excess of one year are payable as follows:

Fiscal Years	Capital Leases	Operating Leases
1979	$ 8,250,000	$ 6,450,000
1980	7,880,000	5,118,000
1981	7,421,000	4,170,000
1982	6,850,000	3,507,000
1983	6,225,000	2,968,000
1984 and thereafter	136,766,000	24,133,000
Total minimum lease payments	$173,392,000	$46,346,000
Less amount representing interest and executory costs	109,068,000	
Present value of minimum lease payments	$ 64,324,000	

Nabisco's operating leases cover warehousing, transportation, administrative and manufacturing facilities. Total rent expense for all operating leases for the years ended December 31, 1978 and 1977 was $10,498,000 and $9,409,000, respectively.

Other commitments, principally for plant and equipment, approximated $11,000,000 at December 31, 1978.

Business segments—Summarized financial information by business segment and geographic area for 1978 and 1977 appears on pages 23 and 24.

Litigation—Various legal proceedings and claims are pending against the Company and certain of its subsidiaries. Although Nabisco's liability with respect to such matters cannot be ascertained at December 31, 1978, in the opinion of management and counsel of Nabisco, the ultimate liability, if any, from all pending legal proceedings and claims will not affect materially Nabisco's financial position or the results of its operations.

Quarterly financial data (unaudited) for 1978 and 1977 appear on page 25.

Current replacement cost information (unaudited)—Under rules of the Securities and Exchange Commission, current replacement cost information for certain assets and expenses is disclosed in Nabisco's Annual Report Form 10-K which is filed with the Commission.

This information shows that the current replacement costs of Nabisco's inventories, plant and equipment are higher than the comparable historical amounts shown in the Consolidated Balance Sheet. Additionally, cost of sales and depreciation expense calculated using replacement costs are also higher than the comparable historical amounts. However, the higher replacement cost depreciation expense would be substantially offset by cost savings which would result from the replacement of existing assets with assets of improved technology.

Directors and Officers

Board of Directors

LEE S. BICKMORE*
Chairman of the Executive Committee

VAL B. DIEHL*
President and Chief Operating Officer

KENNETH C. FOSTER*†
Former President
The Prudential Insurance Company of America

DR. HELEN A. GUTHRIE†
Professor of Nutrition
Pennsylvania State University

ROBERT W. HAACK*‡
Director of various corporations, former Chairman of the Board Lockheed Corporation and former President of the New York Stock Exchange

JAMES L. HAYES‡
President and Chief Executive Officer, American Management Associations, Inc.

CHARLES E. HUGEL
Executive Vice President
American Telephone & Telegraph Co.

MORRIS L. LEVINSON
President, Associated Products, Inc., a Nabisco subsidiary

DEAN R. McKAY
Senior Vice President
International Business Machines Corp.

WILLIAM H. MOORE*‡
Director and former Chairman of the Board
Bankers Trust New York Corporation and Bankers Trust Company

DR. ALBERT E. REES†
Director Industrial Relations Section and Professor of Political Economy, Princeton University

MATTHEW B. ROSENHAUS*
Vice Chairman of the Board and Chairman of The J.B. Williams Co., Inc., a Nabisco subsidiary

ROBERT M. SCHAEBERLE*
Chairman of the Board and Chief Executive Officer

PERRY M. SHOEMAKER†
Transportation consultant

WILLIAM C. TURNER
Chairman
Argyle Atlantic Corporation

WILLIAM S. WOODSIDE
President and Chief Operating Officer
American Can Company

*Member of the Executive Committee
†Member of the Audit Committee
‡Member of the Compensation Committee

Office of the Chairman

ROBERT M. SCHAEBERLE
Chairman of the Board and Chief Executive Officer

MATTHEW B. ROSENHAUS
Vice Chairman of the Board

VAL B. DIEHL
President and Chief Operating Officer

WARREN J. ROBERTSON
Executive Vice President—Administration

Group and Senior Vice Presidents

RICHARD S. CREEDON
Senior Vice President

ROBERT J. JONES
Group Vice President

C. RICHARD OWENS
Senior Vice President

ROBERT J. POWELSON
Group Vice President

EDWARD P. REDDING
Group Vice President

ROBERT L. SANFORD
Senior Vice President

JAMES O. WELCH, JR.
Group Vice President

Vice Presidents

W. LEE ABBOTT
Corporate Communications

RICHARD H. GAVOOR
Controller

WALTER S. HALLIDAY, JR.
General Counsel

CLAUDE B. HAMPTON
President, Biscuit Division

EDWARD J. MATTHEWS, JR.
Corporate Development

JOHN B. McGOVERN
Personnel Relations and Public Affairs

CARL R. PILZ
Purchasing

G. F. RANDOLPH PLASS, JR.
Corporate Planning

WILLIAM J. TOBIN
President, Food Services Division

HARRISON M. BAINS, JR.
Treasurer

KENNETH M. HATCHER
Secretary

Principal Operations

U.S. Foods

Atlanta, Georgia (Cookies, crackers)
Beacon, New York (Carton printing plant)
Buena Park, California (Cookies, crackers, snack foods)
Buffalo, New York (Frozen foods)
Buffalo, New York (Pet foods)
Cambridge, Massachusetts (Candy)
Carthage, Missouri (Flour mill)
Cheney, Washington (Flour mill)
Chicago, Illinois (Cookies, crackers, pretzels, toaster pastries, ice cream cones)
Danville, Illinois (Candy)
Denver, Colorado (Pet foods)
Evanston, Illinois (Machine shop)
Fair Lawn, New Jersey (Cookies, crackers)
Fair Lawn, New Jersey (Research and development)
Houston, Texas (Cookies, crackers, snack foods)
Los Angeles, California (Candy)
Mansfield, Massachusetts (Chocolate, candy)
Marseilles, Illinois (Boxboard mill and carton printing plant)
Minneapolis, Minnesota (Cereals)
Morristown, Indiana (Textured vegetable protein)
Naperville, Illinois (Cereals, cake mixes)
Niagara Falls, New York (Cereals)
Oakland, California (Cereals)
Philadelphia, Pennsylvania (Cookies, crackers)
Pittsburgh, Pennsylvania (Cookies, crackers, snack foods)
Portland, Oregon (Cookies, crackers, ice cream cones)
Richmond, Virginia (Cookies, crackers, pretzels)
St. Louis, Missouri (Crackers)
Toledo, Ohio (Flour mill)
Tualatin, Oregon (Pet foods)
Woodbury, Georgia (Pimientos, dates, steamed breads, peanuts)
Wrightstown, Wisconsin (Cheese spreads)

International Foods

EUROPE

Denmark
Oxford Biscuit Fabrik, A/S (Cookies, crackers)

England
Nabisco Limited:
Nabisco Foods Division (Cereal, cake mixes)
Nabisco-Frears Biscuits Division (Cookies, crackers)

France
Biscuits Belin, S.A. (Cookies, crackers, snacks)
International Training and Research Center (Training and research)

Germany
B. Sprengel & Co. (Candy)

Italy
Saiwa, S.p.A. (Cookies, crackers, candy, snacks)

Spain
Galletas Artiach, S.A. (Cookies, crackers)

CANADA

Christie, Brown & Company, Limited (Cookies, crackers, cereal, pet foods, flour mill)

AUSTRALIA/NEW ZEALAND

Australia
Nabisco Pty., Limited (Cookies, crackers, cereal, pasta)

New Zealand
Griffin & Sons Limited (Cookies, crackers, candy)

LATIN AMERICA

Dominican Republic
Tamara, C. Por A. (Cookies, crackers)

Nicaragua
Industrias Nabisco Cristal, S.A. (Cookies, crackers)

Puerto Rico
Arbona Hermanos Division, Nabisco International, S.A. (Cookies, crackers)

UNCONSOLIDATED FOREIGN AFFILIATES

Japan
Yamazaki-Nabisco Co., Ltd. (Cookies, crackers, snacks)

Mexico
Nabisco—Famosa, S.A. (Cookies, crackers, pasta, cake mixes)

Venezuela
Nabisco-La Favorita C.A. (Cookies, crackers)

Toiletries and Pharmaceuticals

Booneville, Arkansas (Combs, brushes)
Cranford, New Jersey (Toiletries, pharmaceuticals)
Venice, California (Toiletries)
Lamco A/S, Denmark (Toiletries)
The J.B. Williams Co. S.A., France (Toiletries)
The J.B. Williams Co., Canada (Toiletries)

Household Accessories

Brooklyn, New York, (Shower curtains, table cloths)
Cape May, New Jersey (Fabrics)
Closter, New Jersey (Fabrics)
Gardena, California (Shower curtains, table cloths)
Landers & Cia. S.A., Colombia (Housewares)

Corporate Data

Principal Exchanges
New York
Midwest
Pacific
Amsterdam
Paris

Ticker symbol: NAB

Transfer Agents
Bank of New York
90 Washington Street
New York, N.Y. 10005

The First National
Bank of Chicago
One First National Plaza
Chicago, IL 60670

Crocker National Bank
Corporate Division
P.O. Box 38005
San Francisco, CA 94138

Registrars
Bank of New York
90 Washington Street
New York, N.Y. 10005

The First National
Bank of Chicago
One First National Plaza
Chicago, IL 60670

Bank of America
Corporate Agency Division
Box 37002
San Francisco, CA 94137

Debentures Trustees
Bankers Trust Company
16 Wall Street
New York, N.Y. 10015

Morgan Guaranty
Trust Company
of New York
23 Wall Street
New York, N.Y. 10015

Auditors
Coopers & Lybrand
1251 Avenue of the Americas
New York, N.Y. 10020

Shareholder Information
Current shareholders are requested to address all questions concerning their securities or dividends, as well as requests for proxy materials, address changes, or other shareholder information, to the Secretary, Nabisco, Inc., East Hanover, N.J. 07936, or by telephone, (201) 884-0500.

Availability of Form 10-K
In the opinion of management, the Financial Statements in this Annual Report to Shareholders include substantially all financial data in the Annual Report Form 10-K, filed with the Securities and Exchange Commission.

However, the Company's Annual Report Form 10-K is available on request without charge from the Director, Investor Relations, Nabisco, Inc., East Hanover, N.J. 07936, or by telephone, (201) 884-0500.

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Nabisco, Inc.,
East Hanover, N.J. 07936
(201) 884-0500